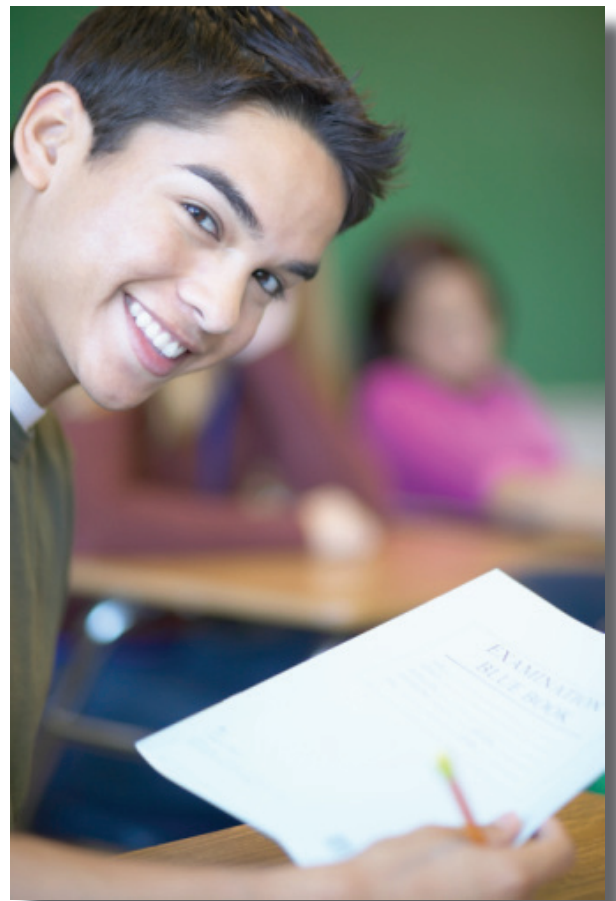




*Montana  
Guaranteed  
Student Loan  
Program*

**2006**  
ANNUAL REPORT



*Helping Montana  
Students  
Succeed for Over 25  
Years*

# *Letter From the Director*



*“Helping students and their families is why we exist. Making it just a little bit easier to attend college is what we do. When you think about MGSLP, think access.”*

*-Bruce Marks, Director*

*Montana Guaranteed Student Loan Program*

It's hard to believe that the Montana Guaranteed Student Loan Program (MGSLP) has been guaranteeing loans and helping students attend college for more than a quarter century! During 2006, MGSLP guaranteed a record amount of student loans and awarded a record amount of grants and scholarships. Our success comes from understanding why we exist: to serve our borrowers, schools, lending partners and the students and families of Montana.

State fiscal year 2006 was a year of many successes. We guaranteed just shy of \$200,000,000 in new student loans, while actually decreasing the number of defaulted loans. We disbursed in excess of \$4 million in grants and scholarships and took over the administration of two new programs: the Montana Family Education Savings Program and the Governor's Postsecondary Scholarship Program. In addition, MGSLP contributed \$500,000 of its own earnings to MGSLP Grants which are need based grants administered by our schools and given directly to students. Since 2004, MGSLP has awarded over \$1 million in grants and scholarships!

MGSLP administers the Federal Family Education Loan Program (FFELP), but our real purpose is to help Montanans obtain an education past high school. We accomplish our mission in many ways. We work both locally and nationally to improve financial aid programs, we administer a variety of state, federal, and private grant and scholarship programs, and we provide information, assistance, and direct support to Montana students and their families. We do all of this without any State of Montana General Fund support. Helping students and their families is why we exist. Making it just a little bit easier to attend college is what we do. When you think about MGSLP, think access.

*Bruce Marks, Director*

*Montana Guaranteed Student Loan Program*

# ABOUT MGSLP

The Montana Guaranteed Student Loan Program (MGSLP) is part of the Office of the Commissioner of Higher Education. Working under the guidance of the Montana Board of Regents, MGSLP's primary goal is to improve access to postsecondary education in Montana. This goal is accomplished by working collaboratively with schools, colleges, lenders and other trading partners who believe that an investment in education is an investment in Montana.

Created in 1979 by the Montana Legislature, MGSLP is the designated guarantor of the Federal Family Education Loan Program in Montana. For more than 25 years, MGSLP has been a full service guarantee agency providing schools and lenders with a central loan origination and disbursement service. MGSLP provides a variety of guarantee support services including streamlined application processing, single point of contact for schools, lenders and borrowers, on site technical expertise, and in-house default prevention and collections. In 2006, MGSLP had an outstanding loan portfolio approaching \$2 billion and guaranteed a record number of loans.

Through efficient management of the Federal Family Education Loan Program, MGSLP is able to administer a variety of state and federal grant and scholarship programs. MGSLP manages the Montana University System Honor Scholarship, a renewable merit scholarship that covers the cost of tuition at qualifying Montana colleges. In 2005, MGSLP began administering the Montana Family Education Savings Program and the new Governor's Postsecondary Scholarship Program.

From early awareness programs like GEAR UP (Gaining Early Awareness and Readiness for Undergraduate Programs) to financial management courses taught by staff, MGSLP delivers the information students and families need to succeed after high school.



MGSLP Staff



# SCHOLARSHIPS

## Governor's Postsecondary Scholarship Program

In only its second year, the Governor's Postsecondary Scholarship program has proven to be very successful. Approximately 500 students receive the scholarships each year to attend one of Montana's two or four-year colleges. Many of the scholarships are awarded to students pursuing degrees in the fields of healthcare and technology.

*"Thank you so much for choosing me to be a recipient of the Governor's Postsecondary Scholarship Program. Your contribution helped me to get a degree and make a better life for my family!"*

-Jami Temple  
Governor's Scholarship recipient



*Governor Brian Schweitzer with award recipient Jami Temple at the Helena College of Technology*



*Lt. Governor John Bohlinger, MUS Honor Scholarship recipient Ryan Ford, Superintendent of Public Instruction Linda McCulloch, and Commissioner of Higher Education Sheila Stearns attend the 2006 reception.*

## MUS Honor Scholarship

The MUS Honor Scholarship is a renewable scholarship that covers the cost of tuition at qualifying Montana colleges. Each year, MGSLP awards in excess of 250 scholarships to Montana's top high school graduates. The value of the scholarship can easily approach \$20,000 over 4 years.

# OUTREACH

## High School Outreach

MGSLP reaches out to Montana high school students by giving money management and financial literacy presentations. Our High School Outreach Coordinator travels throughout the state discussing topics such as checking and savings accounts, preparing a monthly budget, the significance of credit and credit reports, responsible borrowing, and the financial aid process. The purpose is to provide students with relevant financial information that will assist them after they graduate from high school and to help students understand the importance of limiting the amount of debt accumulated while in college.

## Financial Aid Partnerships

MGSLP is an active participant in the Montana Association of Student Financial Aid Administrators. MASFAA is dedicated to serving the interest and needs of students, and enhancing the effectiveness, professional development, and leadership of the state's financial aid administrators.



*Montana participants at the 2005 Conference of the Rocky Mountain Association of Student Financial Aid Administrators (RMASFAA)*

## GEAR UP



*MGSLP Outreach Coordinator, Tina Wagner with essay contest winners from Charlo*

MGSLP is a partner with Montana's Gaining Early Awareness and Readiness for Undergraduates Programs (GEAR UP). MGSLP sponsors an essay competition every year. Over the past seven years, MGSLP has given out 925 college scholarships for a total of \$207,650. For the 2005-2006 school year, MGSLP awarded 183 college scholarships totaling \$36,600. First place winners in seventh and eighth grades received a \$200 college scholarship.

## Montana Guaranteed Student Loan Program Financial Overview

Fiscal year 2006 was an exciting and challenging time for MGSLP. The agency experienced tremendous growth in its guarantee volume from new Stafford, PLUS, and consolidation loans. MGSLP provided a record number of default aversion services to delinquent borrowers, resulting in an overall reduction in both the agency's cohort and actual default rates. In addition, the agency's defaulted loan collection activities resulted in the collection of more defaulted loan dollars than ever before in its history.

Revenues in the Agency Operating Fund grew by 18% from FY2005 to FY2006. This is due in large part to the increased account maintenance fees earned on the agency's outstanding loan portfolio.

Agency Operating Fund	<u>FY2006</u>	<u>FY2005</u>	<u>FY2004</u>
Revenues	\$11,087,517	\$9,386,411	\$9,032,567
Expenditures	\$9,328,135	\$8,664,870	\$8,403,301
Net Revenues	<b>\$1,759,382</b>	<b>\$721,541</b>	<b>\$629,266</b>
Net Assets	<b>\$6,269,518</b>	<b>\$4,510,136</b>	<b>\$3,788,595</b>

In the Federal Reserve Fund, which is held in trust for the Department of Education, net revenues decreased significantly, driven by the increased dollar amount of account maintenance fee expense that was transferred from the fund (rather than paid directly from the U.S. Treasury). However, the agency's Reserve Ratio remains well above the statutory requirement of .25%.

Federal Reserve Fund	<u>FY2006</u>	<u>FY2005</u>	<u>FY2004</u>
Revenues	\$19,017,329	\$17,147,247	\$17,088,137
Expenditures	\$19,857,677	\$16,804,508	\$16,562,776
Net Revenues	<b>(\$840,348)</b>	<b>\$342,739</b>	<b>\$525,361</b>
Net Assets	<b>\$5,779,864</b>	<b>\$6,620,212</b>	<b>\$6,277,473</b>
Reserve Ratio*	<b>.48%</b>	<b>.59%</b>	<b>.72%</b>

\*calculated net of future loan loss provision

Partnering with Student Assistance Foundation of Montana as well as other consolidating lenders, MGSLP guaranteed consolidation loans in excess of \$800 million over the past two years. New Stafford and PLUS loan guarantee volume increased by 25.6% in FY2006 over FY2005. (Figures 1, 2)

Total default collection revenues, led by the agency's in-house default resolution team, increased by 6% in FY2006 over FY2005. During that time Federal Direct Consolidations decreased by 12%. These results reflect the agency's philosophy and focus on rehabilitation as a resolution for defaulted borrowers. ( Figure 3)

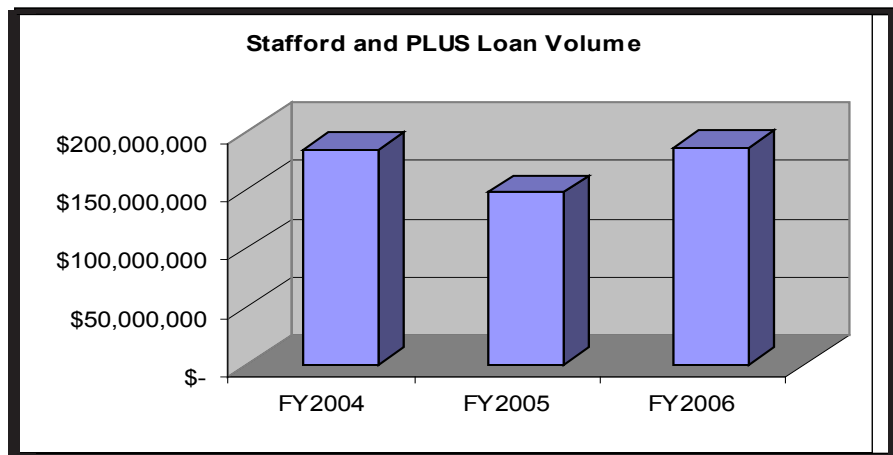


Figure 1

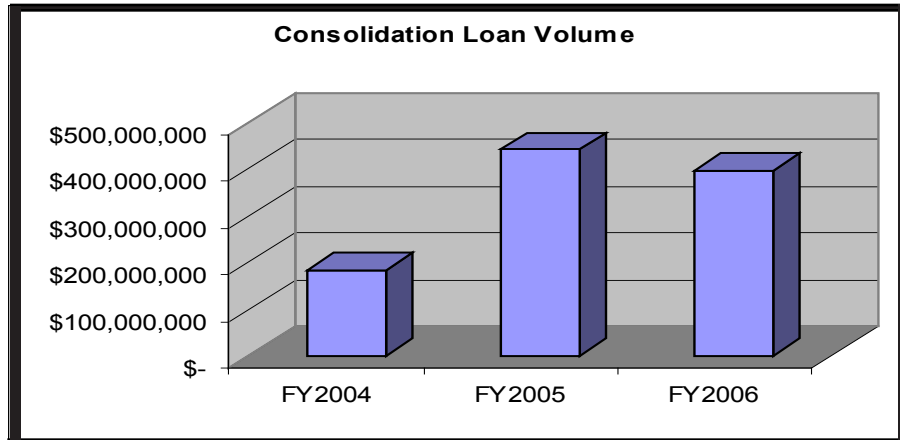


Figure 2

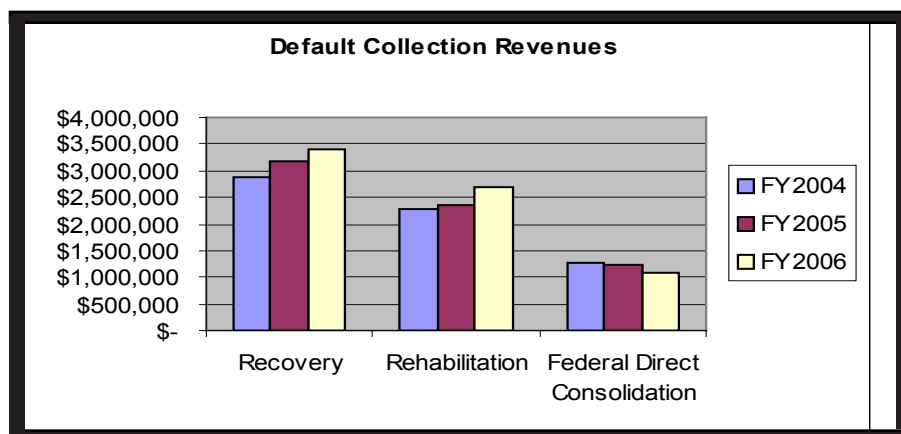


Figure 3

Copies of the agency's audited financial statements may be obtained by contacting the agency directly.

# ***MGSLP Grants***

MGSLP takes pride in giving back to students. Introduced in 2004, MGSLP donated a total of \$900,000 in the form of MGSLP Grants. This year MGSLP has more than doubled the grant amount from \$200,000 per year to \$500,000. All awards are based on financial need.

*"The MGSLP Grants allow us to help keep college access available for high-need students that may not otherwise remain in school. Our service to students could not remain at the same level without this partnership."*

-Mick Hanson  
Director of Financial Aid  
The University of Montana

*" We are so appreciative of the opportunities the MGSLP Grants provide to our students. Without this grant program, many of our students would have to reduce their credit load or increase their loan debt. Thank you for helping Montana students achieve their educational goals!"*

-Brandi Payne  
Director of Financial Aid  
Montana State University

**THE PATH TO HIGHER EDUCATION IS A  
LONG ONE...WE KNOW THE WAY.**



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